



3 High-Yield Dividend Stocks to Outperform the Dogs of the TSX

Description

The Dogs of the TSX is Canada's version of the popular investment strategy, Dogs of the Dow. This method was first conceived by Michael O'Higgins in 1990, when he described it in his book, *Beating the Dow*. Although O'Higgins never mentioned the term "Dogs of the Dow" in the book, the approach quickly gained popularity and picked up its catchy title.

The Dogs of the TSX have averaged a gain of over 12% since 1987. In the past 25 years, [the Dogs have beaten the TSX 60 Index 75% of the time](#).

Since energy companies typically pay out higher dividends than other sectors, the Dogs of the TSX are skewed toward these stocks. While having a portfolio overweight in energy stocks will outperform in some years, the potential reward is not worth the risk. Instead, a better strategy is to select the highest-paying dividend stocks across a range of sectors, more effectively balancing risk and reward.

Let's look at how to invest in the Dogs of the TSX and then how to improve performance by diversifying into several categories.

How to play the Dogs

The Dogs of the TSX is a simple strategy to follow. Here are the basics:

- Determine the 10 stocks from the TSX 60 Index with the highest yields;
- Invest an equal amount into each stock; and
- Re-balance your investment at the same time every year, as some of the highest-yielding stocks may have changed.

History has shown that on average three of the 10 stocks selected in any given year will drop out the following year and be replaced with three other stocks.

How to beat the Dogs

Since the Dogs of the TSX are tilted toward energy stocks, an investor will have a greater chance to outperform the Dogs by spreading their investment into the highest-paying dividend stocks in several categories.

With that in mind, let's look at the highest-yielding stocks in energy as well as financial services and telecom.

Financial Services

Power Financial (TSX:PWF) is an international management and holding company with operations in Canada, the United States, and Europe. With [a dividend of 5.62%](#), the stock currently trades at \$31, down from a high of \$36 in late 2017.

Telecom

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company. Through its Bell brand, the company provides residential and business TV and internet services. The company has a vast network of multimedia services and owns significant investments in Canada's lucrative sports entertainment industry. BCE currently trades near its all-time high of \$62 and pays a dividend of 5.37%.

Energy

Paying a dividend of 6%, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is North America's largest pipeline operator. After the recent news of a delay in a crucial pipeline, the stock tumbled and is currently trading around \$50.

The bottom line

Power Financial, BCE, and Enbridge pay hefty dividends by any standard. And as the top dividend payers in each of their respective industries, they are good picks if you want to diversify your Dogs of the TSX portfolio. By simply tweaking the investments to include a broader range of categories, an investor has a much greater chance of not only outperforming the TSX 60 Index but outperforming the Dogs as well.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:ENB (Enbridge Inc.)

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1. Msn
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